

### **My Dear Shareholders**

Good Morning!!

I have great pleasure in extending you a warm welcome to the 35<sup>th</sup> Annual General Meeting of the Company.

At Shree, we believe in a unique business philosophy of **“Comfort of Discomfort”**. This involves seeking betterment in every activity on a continual basis. Being uncomfortable with the comfort of existing and striving to keep making things better on an ongoing basis is a conscious choice that we have made for ourselves. In such a situation, any outcome is temporary; any failure is a learning for the next effort and not a hindrance. The pursuit of improvement never stops and keeps going on. Success for us is this journey of continual improvement with no destination. In line with this philosophy, we continue to work towards becoming better than yesterday.

It is time to revisit the year gone by and take stock of the performance. The macro-economic environment remained subdued during the year 2013-14 with the economy growing at a modest rate of 4.7%. Growth of Cement industry is directly linked to economic growth of the country. As such, Cement demand also witnessed slow growth of 3% during year 2013-14 as against 6% in previous year. The cement industry also continued to see pressure of over-capacity. As a result, industry experienced pressure on sales realizations. Rising costs due to inflationary trends also affected the industry. Amidst such a difficult environment, Company turned out relatively better performance during the year. Our cement production increased 15.3% to 142.22 lac tons from 123.32 lac tons in the previous year. Revenue from operations grew by 5.3% to Rs. 5887 crores. Our operating profit, however, was down by 10% to Rs. 1575 crores against Rs. 1749 crores in last year.

An important event during the year was the commissioning of our grinding unit of 2 MTPA at Aurangabad in Bihar which marks our entry into the eastern part of the country. We also commissioned a clinker unit of 2 MTPA and a cement grinding plant of 2 MTPA at Ras. Our cement capacity now stands at 17.5 million tons. Work on our integrated unit at Baloda Bazar in Chhattisgarh is going on as per schedule. The unit is expected to be commissioned during early part of next calendar year. We have also taken up work of setting up a grinding unit at Bulandshahr in UP which is likely to be completed by December 2015. You may all be aware that we have also agreed to acquire a cement grinding unit of 1.50 MTPA capacity situated at Panipat in Haryana of Jaiprakash Associates. The acquisition is likely to be completed by March 2015. The acquisition is a new beginning for us as so far we have grown only through organic route.

I now turn to outlook for the future. Of late, things have turned better and winds of change seem to be flowing in favor of macro-economic environment. Unveiling of new measures by the new Government at Center that comprise the "Make in India" campaign, infrastructure development initiatives, energy sector and labour reforms, focus on simplification and financial inclusion measures suggest resetting of the pace of work at government level. Going ahead, the Country is expected to witness fast paced infrastructure creation, development of smart cities, cement concrete road network, access to affordable housing, etc. All these factors are positive for cement demand indicating better prospects for the industry.

Company has invested heavily in greening its operations. Its Waste Heat Recovery (WHR) based Power Generation plants of 81 MW capacity is highest such capacity in World Cement Industry outside China. Company is also adding similar WHR based power plant at its upcoming Raipur cement plant. The power and fuel consumption levels continue to show improvement and remain one of the lowest in the industry. Share of alternatives in its use of fuels and raw materials is continuously rising. All these initiatives are integral part of Company's sustainability agenda on which lies the foundation of its business.

During the year Company was awarded the "Best Overall Sustainability Performance Award" by World CSR Congress in recognition of overall sustainable performance of the company. Company was also honoured with the "Dream Company to work for" award by World HRD Congress and "National Award for Quality Excellence" from NCBM for year 2011-12 & 2012-13. Company stood 1<sup>st</sup> in "Material" sector and overall 3<sup>rd</sup> among top 200 companies by market capitalization in the "India Climate Disclosure Leadership Index" issued by "Carbon Disclosure Project", a Global Disclosure project. All these are outcomes of our constant pursuit of seeking comfort of discomforts.

Our People have always been the driving force behind our success. Our people are a team of doers who are most comfortable and happy when doing something that challenges them and makes them uncomfortable. This has helped us in devising our unique model of converging organizational goals with individual aspirations and enabled us to have highly motivated and engaged workforce. We continued to work towards making a meaningful impact in the lives of the local community. Company has been undertaking various community engagement initiatives towards providing healthcare services, promoting education, family welfare, women empowerment and creating sustainable livelihood generation for the local community.

Company has consistently rewarded investors with better returns and consistently delivered on its promises of profitability and growth. Continuously surpassing investor expectations has built our credibility as a company which always delivers on its targets and commitments. This has earned us their trust and a recognition of being a company that always “Walks the Talk”. This trust has catapulted us to be among the top 100 companies in India in terms of market capitalization. It is an uncomfortable task to live upto this recognition and maintain the trust of our investors. It is the power of discomfort with the existing that keeps motivating us and enables us to deliver on our commitments with record breaking performances.

We have always strived to define our success in terms of the success of all our stakeholders which includes shareholders, customers, Government, Regulatory Agencies, lenders, suppliers and the local community. I take this opportunity to thank all our stakeholders for their cooperation and support. I thank my colleagues on the Board for their enlightened counsel. I take this opportunity to assure our stakeholders that we are comfortable in seeking discomfort to continue meeting their expectations. I expect your continued support and thank you for your confidence in the company.

Thank you.  
November 10, 2014

**(B. G. Bangur)**  
**Chairman**